



Maryland State Department of  
**EDUCATION**

*Schools for Success*

Nancy S. Grasmick  
State Superintendent of Schools

200 West Baltimore Street  
Baltimore, Maryland 21201  
Phone (410) 767-0100  
TTY/TDD (410) 333-6442

April 28, 2000

Mr. Les Johnson, Director  
Food Distribution Division  
FNS, USDA  
1301 Park Center Drive  
Alexandria, VA 22302

Dear Les:

The Nutrition and Transportation Services Branch of the Maryland State Department of Education appreciates being given the opportunity to submit comments regarding the U. S. Department of Agriculture (USDA) proposal for changing the Food Distribution Program.

Although the process has generated much controversy, it is certainly a step desperately needed. The most valuable aspect of the re-engineering process has been the involvement of all three agencies who are responsible for the purchase and distribution of commodities. Changes initiated by one agency are often futile, if the others continue business as usual. The urgency of implementing those proposals that have been identified as positive, and could be integrated without interruption, should be a priority. While several of the proposals are more complex and have met with resistance from various stakeholders, others are actually improvements that have been requested for many years and should be assigned a fast track.

It is imperative that the Business Process Re-Engineering (BPR) concept should be pursued if the commodity program is to serve the recipients of the National School Lunch Program more efficiently. After comments have been reviewed, if there are one or more segments of the proposed rule that are considered objectionable, the whole project should not be abandoned. Even those proposals that meet the most opposition could possibly be modified in such a way that they could be retained and accepted. All of the concepts published should be thoroughly tested; meaning that the positive, as well as adverse effects, be measured. Some of the concepts, such as 100% substitution, have been oversimplified and only in actual testing, may the unmentioned issues override the importance that has been attached to this idea. Of great significance is the manner in which the more complex concepts might be integrated into the program. Breaking them into smaller segments that can be phased in over time may reduce the negative perception that some of the concepts have generated. There was much publicity over the initial re-engineering process and the improvements that would result, but very little information flow describing how the proposed outcomes would be tested or made operational. This has created an atmosphere of confusion and anxiety among certain stakeholders.

Les Johnson  
April 28, 2000  
Page 2 of 5

We, therefore, wish to stress that USDA proceed to effect positive changes with the same vigor and commitment that the BPR Commodity Order Re-Engineering (CORE) committee infused into their proposal.

Our comments, directed below, are addressed specifically to each of the sixteen proposals.

#### PROPOSALS 1 - 3

We support the concept of long term contracting, testing of best value contracts and updating specifications to be in line with those of industry. The updating of specifications should be an ongoing activity to stay abreast of industry and technological changes. Permanent committees with representation from the appropriate agencies, in consultation with industry vendors, should be established to review specifications at least annually.

#### PROPOSAL 4

The use of commercial labels should be of benefit to the producers, allowing them to provide timely shipments of commodities, while reducing the costs that are related to special packaging and labeling requirements. Our schools have voiced concern about this change, in reference to determining how to track commodities for reporting purposes and in disaster feeding situations. Distributors and commercial warehouses will have greater difficulty in maintaining separate lots of the same products. It will be easier to substitute products of lesser quality/value to the recipients. In the event of a recall, schools may not be able to be reimbursed for products if it cannot be determined that the product is actually a commodity. Clear guidance in managing inventory records and testing them under various scenarios in warehouses/distributors is needed before we can support this concept.

#### PROPOSAL 5

In commodity processing we support the idea of a national umbrella contract. States should continue to oversee the administration and operation of the program and act as the conduit for customer service for their recipients. Following the national processing meeting which is scheduled for May 3, we will submit detailed comments regarding this particular proposal.

#### PROPOSAL 6

We do not support declaring full substitutability of all commodities at this time. The benefits of 100% substitution have been praised repeatedly, but the adverse factors have not been explored. It is important that the Department examine the reasons that meat and poultry were made non-substitutable in the first place. The elimination of Agriculture Marketing Service (AMS) grading would provide processors the opportunity to substitute ingredients of lower value, that are non-domestic in origin and to produce finished products of lesser quality. The commodity recall procedure will be null and void if commodities are substituted and circulated in the commercial market.

#### PROPOSAL 7

The practicality of a seamless ordering and distribution program and the cost reduction it promises may be the most controversial issue presented. Using this scenario, schools would order products from their distributor, who would deliver either a commodity item when available or an identical commercial item when the commodity was not available. This concept is predicated on the rationale that commercial and commodity products are identical, including processed meat and poultry items. All commodities would have to be declared 100% substitutable and a method for passing the value of the commodity contained in finished products must be established. Schools have made it clear they are opposed to a rebate system, and alternative ideas presented, thus far, focus primarily on the convenience this offers and not on the degree of accountability that can or cannot be achieved. This is an exceedingly complex idea, necessitating development of methods for tracking commodity assistance levels, establishing yields for determining the value of commodities in processed meat and poultry items and specifications to assure that commercial items are identical, and monitoring procedures to minimize the opportunities for fraud and abuse stemming from substitution. A comprehensive pilot should be structured to capture the full cost of this concept and deal with solving the complex issues it presents, as well as, the impact this may have on the agricultural market. Concern has also been expressed over the level of influence the distributor will have in determining what products schools can purchase. We cannot support this concept until data can be gathered to indicate that there would be reasonable cost savings without compromising the quality of commodities.

#### PROPOSAL 8

The conversion of commodities with limited demand into further finished products should be conducted through national processing contracts, or paid for by USDA and shipped as a finished product.

## PROPOSALS 9 - 11

The procedures developed by the Commodity Hold and Recall Team (CHART) should be implemented immediately. It is not necessary to delay this process while the other proposed changes are being debated.

## PROPOSAL 12

The ability to retrieve information electronically is rapidly becoming a reality for all partners, including schools. Development of a system that not only incorporates the ability for schools to order food directly, but connects and controls all of USDA's purchasing and distribution activity is a project that may take far longer to achieve than we can live with. It is a fact that the Processed Commodity Information Management System (PCIMS) system must undergo redesign and school connectivity could be a component of the ultimate product, but interim measures are needed before this final, grand leap can be accomplished. This project is an example of the need for transitional steps and phasing in that we referred to earlier. States should not be eliminated for the ordering process until a foolproof system is fully in place. USDA agencies should continue to expand the types of information to be posted on their web site. Many of the obstacles in the program that have been voiced by schools can be overcome through this method of communication.

## PROPOSAL 13

The concept of a single contact for communicating with USDA seems to have missed its mark if the idea as CORE first presented it was followed. One of the criticisms of USDA operations is the perception of duplication of duties among the agencies, and the many layers or divisions one must go through to obtain an answer or action. Any improvement in this area will be welcome. A consolidated, coordinated message conveyed in a timely manner is an extremely important issue.

## PROPOSAL 14

Piloting the concepts is crucial to achieving positive results and we support this, wholeheartedly. The current procedure of soliciting brief, sketchy projects will not yield sufficient data that can be applied universally. The Department may use the small pilots as weather vanes for more comprehensive pilots, but should be preparing now to conduct at least some of these larger pilots in the year 2001.

Les Johnson  
April 28, 2000  
Page 5 of 5

#### PROPOSAL 15

We support facilitating the use of local funds (Section 4/11) earned under the National School Lunch Program (NSLP) for commodity purchases, encouraging cooperatives and relaxing truckload requirement. We do not favor eliminating the option of participating in the Department of Defense (DOD) program utilizing entitlement funds. We have not seen a pilot submission, as yet, to testing partial truckloads or allowing mixed trucks. Maryland would be interested in participating in testing either of these, if there are no other states who submit a request.

#### PROPOSAL 16

Streamlining paperwork and reducing reporting requirements should always be an ongoing process. Within the processing program there are numerous cuts and improvements that can be made, although several will require regulatory change. The processing specialist in Maryland would be especially interested in serving on this task force. It should be noted that the American Commodity Distribution Association (ACDA) has an active processing committee which could perform this activity. Its members have the expertise and experience to readily accomplish this task.

It is without doubt that the USDA Proposal for Change 2000 is the most comprehensive task to be undertaken by the Food Distribution Program, and Maryland supports the huge efforts being made to bring the commodity program into the 21st century. We urge the Department to explore every possible corner to find ways to effect changes that result in improving service to school customers while maintaining its commitment to the agricultural partners. We do not support any changes that will destroy the integrity of the Food Distribution Program or open the door for fraud and abuse. Thank you for providing this opportunity to express our views.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sheila G. Terry".

Sheila G. Terry, Chief  
Nutrition and Transportation Services Branch

SGT:SF:ja